



State of Wisconsin • DEPARTMENT OF REVENUE

2135 RIMROCK ROAD • P.O. BOX 8933 • MADISON, WISCONSIN 53708-8933 • 608-266-6466 • FAX (608) 266-5718
<http://www.revenue.wi.gov>

Scott Walker
Governor

Richard G. Chandler
Secretary of Revenue

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CONTACT: Stephanie Marquis, 608-266-2300

Wisconsin Simplifies Tax Law for Health Insurance Benefits for Adult Children

Today, Governor Scott Walker signed legislation that simplifies Wisconsin's income tax treatment of employer provided health insurance benefits for adult children

Previously, employers were required to add the fair market value of the health insurance benefit to the parent's income if a non-dependent adult child was added to the plan. The parent then paid state and federal taxes on the health insurance benefit.

Effective March 30, 2010, the federal government changed the law. Employers were no longer required to add the fair market value for the health insurance benefit to the employee's income, and parents did not have to report the additional income on their federal income tax return.

Today, the Governor signed legislation to simplify Wisconsin's state income tax law. This change is retroactive to January 1, 2011. Employers no longer need to add the fair market value for the health insurance benefit to an employee's income, and parents will not need to report the additional income on their state income tax return. To receive this income tax benefit, the child must be younger than age 27 on December 31st.

Below are the specific actions employers and employees should take related to this law change:

Employers

Stop adding the fair market value of the health insurance benefit to your employee's income. When you prepare the W-2 statements for 2011, do not include any income previously added for the health insurance benefit. Your employee will get credit on their income tax return for taxes withheld on the health insurance benefit.

Employees

You will receive credit on your state income tax return for the taxes withheld in 2011 for the additional income added for the health insurance benefit. The health insurance benefit is no longer considered to be taxable income.

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